

ORIGINAL

VETO
H.B. NO.

HOUSE OF REPRESENTATIVES
THIRTY-FIRST LEGISLATURE, 2021
STATE OF HAWAII

53
S.D. 1
C.D. 1

A BILL FOR AN ACT

VETO OVERRIDE

Act No. 7

Approved: /

Date: July 8, 2021

RELATING TO STATE BONDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Declaration of findings with respect to the
2 general obligation bonds authorized by this Act. Pursuant to
3 article VII, section 13, of the Hawaii State Constitution, which
4 states: "Effective July 1, 1980, the legislature shall include
5 a declaration of findings in every general law authorizing the
6 issuance of general obligation bonds that the total amount of
7 principal and interest, estimated for such bonds and for all
8 bonds authorized and unissued and calculated for all bonds
9 issued and outstanding, will not cause the debt limit to be
10 exceeded at the time of issuance", the legislature finds and
11 declares as follows:

12 (1) Limitation on general obligation debt. The debt limit
13 of the State is set forth in article VII, section 13,
14 of the state constitution, which states in part:
15 "General obligation bonds may be issued by the State;
16 provided that such bonds at the time of issuance would
17 not cause the total amount of principal and interest



1 payable in the current or any future fiscal year,
2 whichever is higher, on such bonds and on all
3 outstanding general obligation bonds to exceed: a sum
4 equal to twenty percent of the average of the general
5 fund revenues of the State in the three fiscal years
6 immediately preceding such issuance until June 30,
7 1982; and thereafter, a sum equal to eighteen and
8 one-half percent of the average of the general fund
9 revenues of the State in the three fiscal years
10 immediately preceding such issuance." Article VII,
11 section 13, of the Hawaii State Constitution also
12 provides that in determining the power of the State to
13 issue general obligation bonds, certain bonds are
14 excludable, including "[r]eimbursable general
15 obligation bonds issued for a public undertaking,
16 improvement or system but only to the extent that
17 reimbursements to the general fund are in fact made
18 from the net revenue, or net user tax receipts, or
19 combination of both, as determined for the immediately
20 preceding fiscal year" and bonds constituting
21 instruments of indebtedness under which the State



1 incurs a contingent liability as a guarantor, but only
 2 to the extent the principal amount of those bonds does
 3 not exceed seven per cent of the principal amount of
 4 outstanding general obligation bonds not otherwise
 5 excluded under article VII, section 13, of the Hawaii
 6 State Constitution.

7 (2) Actual and estimated debt limits. The limit on
 8 principal and interest of general obligation bonds
 9 issued by the State, actual for fiscal year 2020-2021
 10 and estimated for each fiscal year from 2021-2022 to
 11 2024-2025, is as follows:

12	Fiscal	Net General	
13	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>
14	2017-2018	\$7,656,001,540	
15	2018-2019	7,910,649,595	
16	2019-2020	7,631,208,089	
17	2020-2021	8,058,234,000	\$1,430,534,652
18	2021-2022	7,479,503,000	1,455,338,987
19	2022-2023	7,767,188,000	1,428,751,614
20	2023-2024	8,065,417,000	1,437,137,042
21	2024-2025	(not applicable)	1,437,579,993

22
 23 For fiscal years 2020-2021, 2021-2022, 2022-2023,
 24 2023-2024, and 2024-2025, respectively, the debt limit
 25 is derived by multiplying the average of the net
 26 general fund revenues for the three preceding fiscal



1 years by eighteen and one-half per cent. The net
2 general fund revenues for fiscal years 2017-2018,
3 2018-2019, and 2019-2020 are actual, as certified by
4 the director of finance in the Statement of the Debt
5 Limit of the State of Hawaii as of July 1, 2020, dated
6 November 19, 2020. The net general fund revenues for
7 fiscal years 2020-2021 to 2023-2024 are estimates,
8 based on general fund revenue estimates made as of
9 March 8, 2021, by the council on revenues, the body
10 assigned by article VII, section 7, of the Hawaii
11 State Constitution to make these estimates, and based
12 on estimates made by the department of budget and
13 finance of those receipts that cannot be included as
14 general fund revenues for the purpose of calculating
15 the debt limit, all of which estimates the legislature
16 finds to be reasonable.

17 (3) Principal and interest on outstanding bonds applicable
18 to the debt limit.



1 (A) According to the department of budget and
 2 finance, the total amount of principal and
 3 interest on outstanding general obligation bonds,
 4 after the exclusions permitted by article VII,
 5 section 13, of the Hawaii State Constitution, for
 6 determining the power of the State to issue
 7 general obligation bonds within the debt limit as
 8 of April 1, 2021, is as follows for fiscal year
 9 2021-2022 to fiscal year 2027-2028:

10	Fiscal	Principal
11	<u>Year</u>	<u>and Interest</u>
12	2021-2022	\$942,978,733
13	2022-2023	905,460,017
14	2023-2024	890,840,266
15	2024-2025	850,362,631
16	2025-2026	903,170,962
17	2026-2027	704,256,367
18	2027-2028	676,904,175

19 The department of budget and finance further
 20 reports that the amount of principal and interest
 21 on outstanding bonds applicable to the debt limit
 22 generally continues to decline each year from
 23 fiscal year 2028-2029 to fiscal year 2040-2041



1 when the final installment of \$102,695,623 shall
2 be due and payable.

3 (B) The department of budget and finance further
4 reports that the outstanding principal amount of
5 bonds constituting instruments of indebtedness
6 under which the State may incur a contingent
7 liability as a guarantor is \$233,500,000, all or
8 part of which is excludable in determining the
9 power of the State to issue general obligation
10 bonds, pursuant to article VII, section 13, of
11 the Hawaii State Constitution.

12 (4) Amount of authorized and unissued general obligation
13 bonds and guaranties and proposed bonds and
14 guaranties.

15 (A) As calculated from the state comptroller's bond
16 fund report as of February 28, 2021, adjusted
17 for:

18 (i) Appropriations to be funded by general
19 obligation bonds or reimbursable general
20 obligation bonds as provided in House Bill



1 the total amount of authorized but unissued
2 general obligation bonds is \$3,227,451,750. The
3 total amount of general obligation bonds
4 authorized in this Act is \$1,291,787,000. The
5 total amount of general obligation bonds
6 previously authorized and unissued, as adjusted,
7 and the general obligation bonds authorized in
8 this Act is \$4,519,238,750.

9 (B) As reported by the department of budget and
10 finance, the outstanding principal amount of
11 bonds constituting instruments of indebtedness
12 under which the State may incur a contingent
13 liability as a guarantor is \$233,500,000, all or
14 part of which is excludable in determining the
15 power of the State to issue general obligation
16 bonds, pursuant to article VII, section 13, of
17 the Hawaii State Constitution.

18 (5) Proposed general obligation bond issuance. As
19 reported therein for the fiscal years 2020-2021,
20 2021-2022, 2022-2023, 2023-2024, and 2024-2025, the
21 State proposes to issue \$525,000,000 in general



1 obligation bonds during the second half of fiscal year
2 2020-2021, and \$500,000,000 in general obligation
3 bonds semi-annually during fiscal years 2021-2022,
4 2022-2023, 2023-2024, and 2024-2025. The State
5 anticipates issuing a combination of twenty-year
6 serial bonds with principal repayments beginning the
7 fifth year and ten-year serial bonds with principal
8 repayments beginning the first year, payable in
9 substantially equal annual installments of principal
10 and interest payment with interest payments commencing
11 six months from the date of issuance and being paid
12 semi-annually thereafter. It is assumed that this
13 practice will continue to be applied to the bonds that
14 are proposed to be issued.

15 (6) Sufficiency of proposed general obligation bond
16 issuance to meet the requirements of authorized and
17 unissued bonds, as adjusted, and bonds authorized by
18 this Act. From the schedule reported in
19 paragraph (5), the total amount of general obligation
20 bonds that the State proposes to issue during the
21 fiscal years 2020-2021 to 2023-2024 is \$3,525,000,000.



1 An additional \$1,000,000,000 is proposed to be issued
2 in fiscal year 2024-2025. The total amount of
3 \$3,525,000,000 that is proposed to be issued through
4 fiscal year 2023-2024 is sufficient to meet the
5 requirements of the authorized and unissued bonds, as
6 adjusted, the total amount of which is \$4,519,238,750
7 reported in paragraph (4), except for \$994,238,750.
8 It is assumed that the appropriations to which an
9 additional \$994,238,750 in bond issuance needs to be
10 applied will have been encumbered as of June 30, 2024.
11 The \$1,000,000,000 that is proposed to be issued in
12 fiscal year 2024-2025 will be sufficient to meet the
13 requirements of the June 30, 2024 encumbrances in the
14 amount of \$994,238,750. The amount of assumed
15 encumbrances as of June 30, 2024, is reasonable and
16 conservative, based upon an inspection of June 30
17 encumbrances of the general obligation bond fund as
18 reported by the state comptroller. Thus, taking into
19 account the amount of authorized and unissued bonds,
20 as adjusted, and the bonds authorized by this Act
21 versus the amount of bonds proposed to be issued by



1 June 30, 2024, and the amount of June 30, 2024,
 2 encumbrances versus the amount of bonds proposed to be
 3 issued in fiscal year 2024-2025, the legislature finds
 4 that in the aggregate, the amount of bonds proposed to
 5 be issued is sufficient to meet the requirements of
 6 all authorized and unissued bonds and the bonds
 7 authorized by this Act.

8 (7) Bonds excludable in determining the power of the State
 9 to issue bonds. As noted in paragraph (1), certain
 10 bonds are excludable in determining the power of the
 11 State to issue general obligation bonds.

12 (A) General obligation reimbursable bonds can be
 13 excluded under certain conditions. It is not
 14 possible to make a conclusive determination as to
 15 the amount of reimbursable bonds which are
 16 excludable from the amount of each proposed bond
 17 issued because:

18 (i) It is not known exactly when projects for
 19 which reimbursable bonds have been
 20 authorized in prior acts and in this Act
 21 will be implemented and will require the



1 application of proceeds from a particular
2 bond issue; and

3 (ii) Not all reimbursable general obligation
4 bonds may qualify for exclusion.

5 However, the legislature notes that with respect
6 to the principal and interest on outstanding
7 general obligation bonds, according to the
8 department of budget and finance, the average
9 proportion of principal and interest that is
10 excludable each year from the calculation against
11 the debt limit is 0.58 per cent for approximately
12 ten years from fiscal year 2021-2022 to fiscal
13 year 2030-2031. For the purpose of this
14 declaration, the assumption is made that
15 0.50 per cent of each bond issue will be
16 excludable from the debt limit, an assumption
17 that the legislature finds to be reasonable and
18 conservative.

19 (B) Bonds constituting instruments of indebtedness
20 under which the State incurs a contingent
21 liability as a guarantor can be excluded, but



1 only to the extent the principal amount of those
2 guaranties does not exceed seven per cent of the
3 principal amount of outstanding general
4 obligation bonds not otherwise excluded under
5 subparagraph (A) of this paragraph (7); and
6 provided that the State shall establish and
7 maintain a reserve in an amount in reasonable
8 proportion to the outstanding loans guaranteed by
9 the State as provided by law. According to the
10 department of budget and finance and the
11 assumptions presented herein, the total principal
12 amount of outstanding general obligation bonds
13 and general obligation bonds proposed to be
14 issued, which are not otherwise excluded under
15 article VII, section 13, of the Hawaii State
16 Constitution for the fiscal years 2020-2021,
17 2021-2022, 2022-2023, 2023-2024, and 2024-2025
18 are as follows:



1		Total amount of
2		General Obligation Bonds
3		not otherwise excluded by
4		Article VII, Section 13
5	<u>Fiscal year</u>	<u>of the State Constitution</u>
6	2020-2021	\$ 8,928,593,064
7	2021-2022	10,123,593,064
8	2022-2023	11,118,593,064
9	2023-2024	12,113,593,064
10	2024-2025	13,108,593,064

11 Based on the foregoing and based on the assumption
12 that the full amount of a guaranty is immediately due
13 and payable when the guaranty changes from a
14 contingent liability to an actual liability, the
15 aggregate principal amount of the portion of the
16 outstanding guaranties and the guaranties proposed to
17 be incurred, which does not exceed seven per cent of
18 the average amount set forth in the last column of the
19 above table and for which reserve funds have been or
20 will have been established as heretofore provided, can
21 be excluded in determining the power of the State to
22 issue general obligation bonds. As it is not possible
23 to predict with a reasonable degree of certainty when
24 a guaranty will change from a contingent liability to
25 an actual liability, it is assumed in conformity with



1 fiscal conservatism and prudence, that all guaranties
2 not otherwise excluded pursuant to article VII,
3 section 13, of the Hawaii State Constitution will
4 become due and payable in the same fiscal year in
5 which the greatest amount of principal and interest on
6 general obligation bonds, after exclusions, occurs.
7 Thus, based on these assumptions and on the
8 determination in paragraph (8), all of the outstanding
9 guaranties can be excluded.

10 (8) Determination whether the debt limit will be exceeded
11 at the time of issuance. From the foregoing and on
12 the assumption that all of the bonds identified in
13 paragraph (5) will be issued at an interest rate not
14 to exceed 5.75 per cent in fiscal years 2021
15 through 2025, it can be determined from the following
16 schedule that the bonds that are proposed to be
17 issued, which include all authorized and unissued
18 bonds previously authorized, as adjusted, general
19 obligation bonds, and instruments of indebtedness
20 under which the State incurs a contingent liability as
21 a guarantor authorized in this Act, will not cause the



1 debt limit to be exceeded at the time of the bond
2 issuance:

3	4	5	6	7
8	9	10	11	12
13	14	15	16	17
18	19	20	21	22
23	24	25	26	27
2nd half FY 2020-2021	\$522,375,000	1,430,534,652	994,966,602	(2021-2022)
1st half FY 2021-2022	\$497,500,000	1,455,338,987	1,022,488,072	(2025-2026)
2nd half FY 2021-2022	\$497,500,000	1,455,338,987	1,066,369,709	(2025-2026)
1st half FY 2022-2023	\$497,500,000	1,428,751,614	1,109,762,541	(2025-2026)
2nd half FY 2022-2023	\$497,500,000	1,428,751,614	1,153,646,566	(2025-2026)
1st half FY 2023-2024	\$497,500,000	1,437,137,042	1,197,065,047	(2025-2026)
2nd half FY 2023-2024	\$497,500,000	1,437,137,042	1,240,947,984	(2025-2026)
1st half FY 2024-2025	\$497,500,000	1,437,579,993	1,284,390,078	(2025-2026)
2nd half FY 2024-2025	\$497,500,00	1,437,579,993	1,328,271,328	(2025-2026)

27 (9) Overall and concluding finding. From the facts,
28 estimates, and assumptions stated in this declaration
29 of findings, the conclusion is reached that the total
30 amount of principal and interest estimated for the
31 general obligation bonds authorized in this Act, and
32 for all bonds authorized and unissued, and calculated
33 for all bonds issued and outstanding, and all



1 guaranties, will not cause the debt limit to be
2 exceeded at the time of issuance.

3 SECTION 2. The legislature finds the bases for the
4 declaration of findings set forth in this Act are reasonable.
5 The assumptions set forth in this Act with respect to the
6 principal amount of general obligation bonds that will be
7 issued, the amount of principal and interest on reimbursable
8 general obligation bonds that are assumed to be excludable, and
9 the assumed maturity structure shall not be deemed to be
10 binding, it being the understanding of the legislature that
11 these matters shall remain subject to substantial flexibility.

12 SECTION 3. Authorization for issuance of general
13 obligation bonds. General obligation bonds may be issued as
14 provided by law in an amount that may be necessary to finance
15 projects authorized in House Bill No. 200, H.D. 1, S.D. 1,
16 C.D. 1 (the General Appropriations Act of 2021), House Bill
17 No. 185, H.D. 1, S.D. 2, C.D. 1 (the Judiciary Appropriations
18 Act of 2021), and House Bill No. 54, H.D. 1, S.D. 1, C.D. 1;
19 passed by the legislature during this regular session of 2021
20 and designated to be financed from the general obligation bond
21 fund and from the general obligation bond fund with debt service



1 cost to be paid from special funds; provided that the sum total
2 of general obligation bonds so issued shall not exceed
3 \$1,291,787,000.

4 Any law to the contrary notwithstanding, general obligation
5 bonds may be issued from time to time in accordance with
6 section 39-16, Hawaii Revised Statutes, in a principal amount as
7 may be required to refund any general obligation bonds of the
8 State of Hawaii heretofore or hereafter issued pursuant to law.

9 SECTION 4. The provisions of this Act are declared to be
10 severable and if any portion thereof is held to be invalid for
11 any reason, the validity of the remainder of this Act shall not
12 be affected.

13 SECTION 5. In printing this Act, the revisor of statutes
14 shall substitute in section 1 and section 3 the corresponding
15 act numbers for bills identified therein.

16 SECTION 6. This Act shall take effect upon its approval.



THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: July 8, 2021
Honolulu, Hawaii

We hereby certify that, pursuant to Sections 16 and 17 of Article III of the Hawaii State Constitution, the House of Representatives of the State of Hawaii, on this date reconsidered House Bill No. 53, S.D. 1, C.D. 1 heretofore vetoed as contained in a Governor's Message dated July 6, 2021, and approved said bill by an affirmative vote of two-thirds of all Members to which the House of Representatives of the Thirty-First Legislature of the State of Hawaii, Special Session of 2021, is entitled.



Scott K. Saiki
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives

THE SENATE OF THE STATE OF HAWAII

Date: July 8, 2021
Honolulu, Hawaii

We hereby certify that, pursuant to Sections 16 and 17 of Article III of the Hawaii State Constitution, the Senate of the State of Hawaii, on this date reconsidered House Bill No. 53, S.D. 1, C.D. 1, heretofore vetoed as contained in a Governor's Message dated July 6, 2021, and approved said bill by an affirmative vote of two-thirds of all Members to which the Senate of the Thirty-First Legislature of the State of Hawaii, Special Session of 2021, is entitled.



Ronald D. Kouchi
President of the Senate



Carol T. Taniguchi
Clerk of the Senate